

At-Large Workspace: ICANN Reserve Fund: Proposed Replenishment Strategy

Public Comment Close	Statement Name	Status	Assignee (s)	Call for Comments Open	Call for Comments Close	Vote Open	Vote Close	Date of Submission	Staff Contact and Email	Statement Number
25 April 2018	ICANN Reserve Fund: Proposed Replenishment Strategy	<div>ADOPTED</div> <p>11Y, 1N, 0A</p> <p>1N Maureen Hilyard:</p> <p>"I do not agree to more funds being taken from the auction proceeds than was originally agreed, otherwise there is no incentive for ICANN Org to make savings from within that do not impinge on the work of the volunteers."</p>	Alan Greenberg	24 April 2018	25 April 2018	25 April 2018	30 April 2018	25 April 2018	Xavier Calvez planning@icann.org	AL-ALAC-ST-0418-04-02-EN

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Brief Overview

Purpose: ICANN organization seeks public comment on the Reserve Fund replenishment strategy.

Current Status: A first public comment process held in October/November 2017 sought input on the rationale and target level of the Reserve Fund. It led the ICANN Board to develop further the previous rationale of the Reserve Fund and confirmed its target level to a minimum of 12 months of Operating Expenses. Now that the target level is confirmed, a replenishment strategy is needed to bring the Reserve Fund from its current level (approximately six months of Operating Expenses) to its minimum target level of 12 months.

Next Steps: The input collected during this public comment process will be considered by the ICANN Board to inform its decision on finalizing the replenishment strategy. A third public comment process will be organized subsequently to offer control mechanisms to govern the Reserve Fund (process to use the Reserve Fund, authority for approval, etc.).

Section I: Description and Explanation

After a first public comment process on the rationale and target level of the Reserve Fund, the ICANN Board determined that the Reserve Fund required further review and created a working group. As the target level has been confirmed, the difference between the current and the target levels shows a shortfall, and the Reserve Fund needs to be replenished. The purpose of this second public comment process is to offer a suggested replenishment strategy for input.

Section II: Background

The Reserve Fund was created in 2007 with a target level set at a minimum of 12 months of Operating Expenses. It has been funded through operational excesses. Over the past years, ICANN's operations have grown, its risk profile has evolved, and withdrawals have been made to fund the IANA stewardship transition expenses.

As a result of these changes, the ICANN Board determined that the Reserve Fund required review and created a working group to evaluate it. This work led to the first public comment process on the rationale and the target level which was completed in November 2017. The ICANN Board confirmed the target level of a minimum of 12 months of Operating Expenses during its meeting on 5 February 2018.

Section III: Relevant Resources

[ICANN Reserve Fund: Proposed Replenishment Strategy](#) [PDF, 98 KB]

Section IV: Additional Information

Section V: Reports

FINAL VERSION TO BE SUBMITTED IF RATIFIED

The final version to be submitted, if the draft is ratified, will be placed here by upon completion of the vote.



AL-ALAC-ST-0418-04-02-EN.pdf

FINAL DRAFT VERSION TO BE VOTED UPON BY THE ALAC

The final draft version to be voted upon by the ALAC will be placed here before the vote is to begin.

The ALAC appreciates the opportunity to comment on the proposed reserve fund replenishment strategy. As presented, the strategy is:

- The replenishment period should not exceed 5 years, in line with principle (i).
- Over the 5-year period, the ICANN Org should plan for operational savings in order to make a contribution of US\$ 15 million in total, in line with principle (ii)
- A contribution from the Auction Proceeds should be considered. The amount under consideration would be US\$ 36 million, corresponding to the total amount of withdrawals from the Reserve Fund to finance the IANA Stewardship transition.
- The remaining shortfall of US\$ 17 million (\$68m less \$15m and less \$36m above) could possibly come from one of the following sources, in no specific order of preference:
 - Contribution from leftover funds from the new gTLD program, if any.
 - Additional contribution from ICANN Org.
 - Additional contribution from the Auction Proceeds.

The ALAC supports this overall strategy but with the following conditions and additions:

1. The ALAC supports the allocation of operational savings at the average level of US\$ 3 million per year, but with the understanding that this implicit reduction on spending budgets must be spread evenly over the entire budget. As seen in the draft FY19 budget, there is a temptation to focus reductions on specific (vulnerable) parts of the community, potentially endangering the multistakeholder model. That must not happen in this case.
2. US\$ 36 million from the Auction Proceeds should be subject to a limit of 25% of available funds. If the .web funds ultimately are fully or partially available, the suggested US\$ 36 million could be increased to the 25% limit.
3. ICANN should not shy away from seriously considering a temporary increase on per-domain registrar fees. In past years, where ICANN finances were growing, we did not hesitate to reduce registrar fees in some years. We similarly should not hesitate to increase them in this case. A US\$ 0.02 increase per domain per year would net ICANN roughly US\$ 18 million over five years. It is likely that registrars will pass this increase on to registrants, but a US\$ 0.02 increase per year, even if marked up by registrars, is not going to be a deterrent to registering a domain. At a nominal domain cost of US\$ 10.00 per year, that is just an increase of 0.2%, far less than the inflation rates we see on most everything else.
4. The interest and other revenue from the reserve fund investments should be included in the replenishment calculations. Moreover, ICANN should consider using the interest and similar revenue on the other funds under management (the Auction Proceeds and the New gLTD surplus) to replenish the reserve instead of being returned to those funds.

Lastly, the ALAC notes that there are some in the community (including within At-Large) who feel that the Auction Proceeds should not be touched. The ALAC believes that the Auction Proceeds may be destined to do a lot of good, but doing so at the expense of an ICANN which is not financially stable is not wise.

FIRST DRAFT SUBMITTED

The first draft submitted will be placed here before the call for comments begins.

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